RENTAL MARKET REPORT

Canada Mortgage and Housing Corporation

www.cmhc.ca

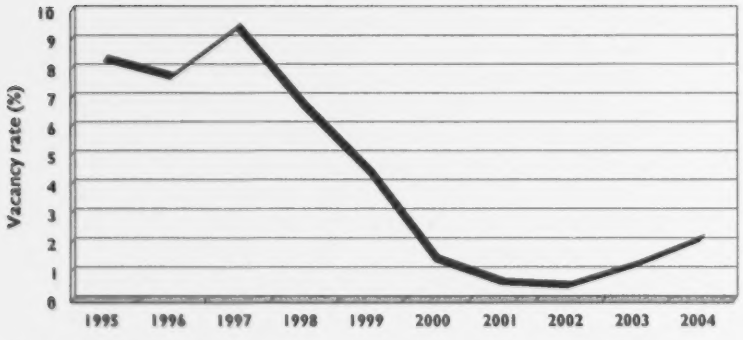
Gatineau

OCTOBER 2004 SURVEY

RENTAL MARKET CONDITIONS EASE AGAIN IN THE OUTAOUAIS

In the Gatineau census metropolitan area (CMA), rental market conditions continued the easing trend that began last year. In 2004, the strong homeownership movement led to the departure of many renter households, and the vacancy rate in privately initiated buildings with three or more housing units went up. In October 2004, the vacancy rate reached 2.1 per cent, for an increase of nearly one percentage point in one year (1.2 per cent in 2003).

Vacancy Rate
Gatineau CMA



Source: CMHC

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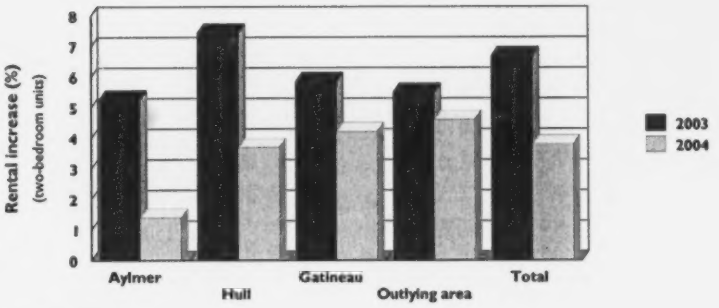
In general, the situation on the market results from two factors: one the one hand, demand for rental housing is still strong, although partly offset by first-time home buyers and, on the other hand, supply is weak. In fact, with first-time buyers vacating units on the rental market and construction costs continuing to rise, there are not very many incentives to build rental housing.

As well, the results of our survey indicate that, in 2004, vacancy rates went up in all CMAs across Quebec, with one exception, Trois-Rivières. However, while the rise was rather pronounced in Gatineau, the increases were relatively small in the other areas. The rental markets in Montréal (1.5 per cent), Québec (1.1 per cent), Saguenay (5.3 per cent) and Sherbrooke (0.9 per cent) registered minor hikes, but the vacancy rate fell in the Trois-Rivières CMA (1.2 per cent). For the province overall, vacancies are therefore on an upward trend, and the provincial rate is now slightly higher, at 1.6 per cent (1.3 per cent in 2003). On the other side of the Ottawa River, the number of unoccupied units also went up. In 2004, the Ottawa CMA reached a vacancy rate of 3.9 per cent, compared to 2.9 per cent in 2003.

Rents Rise More Moderately



Source: CMHC

Logically, then, pressure on rents has been less intense and, in 2004, and the price for a rental dwelling (two-bedroom unit) went up by only 3.8 per cent. The Gatineau rental market is therefore performing much like the Ottawa market, as rental increases have slowed with the rise in the number of vacant apartments. In fact, when the vacancy rate reached 2.9 per cent in Ottawa last year, rents stabilized. It should be recalled, though, that they had attained very high levels by that time.

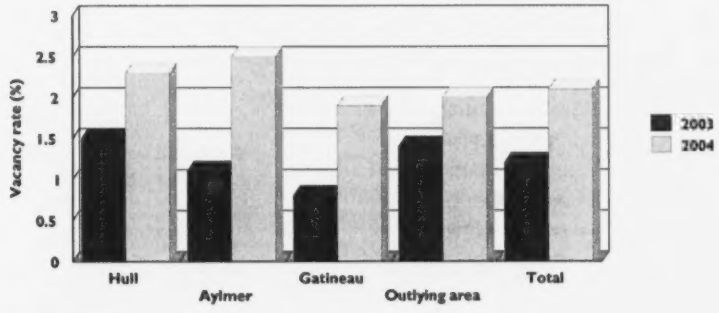
Vacant apartments remain scarce in the Gatineau sector

This past October, vacancy rates went up in all sectors across the Gatineau CMA. Like in 2003, however, the Gatineau sector took the honours for the lowest rate. In fact, even if the number of unoccupied apartments more than doubled there, from 8 to 19 vacant units out of 1,000, the market is still very tight.

Higher vacancy rate slows rental increase

In 2001, when the vacancy rate fell below the 1-per-cent mark, rents posted their most significant gain in ten years, with a rise of 6.1 per cent. Then, in 2003, the arrival of more luxurious apartments on the market brought about a strong increase in prices of nearly 7 per cent. Today, however, the market seems to have adjusted, with the upward trend in the vacancy rate now under way for good.

Vacancy Rates by Sector



Source: CMHC

In Hull and Aylmer, the vacancy rates went up from 1.5 per cent and 1.1 per cent, respectively, in 2003, to 2.3 per cent and 2.5 per cent this year. The outlying area was no exception, as its rate climbed from 1.4 per cent last year to 2.0 per cent in October 2004.

It is therefore in the Hull sector that apartment seekers have the best chance of finding what they are looking for. Even if Gatineau has the lowest vacancy rate, this sector would come in second. In fact, the absolute number of vacant apartments is greater there than in Aylmer or the outlying area, although these two sectors have higher proportions of unoccupied dwellings. The only negative aspect here remains the price. While there are more units for rent in Hull, the rents are less affordable in this sector than elsewhere ($703 for a two-bedroom unit). This is indeed the most expensive sector, followed by Aylmer ($669 for a two-bedroom unit) and Gatineau ($642 for a two-bedroom unit).

In terms of rental increases, the outlying area took the honours with a hike of 4.5 per cent. It should be noted that, in these suburbs, the rents have always been well below average and that, even with the recovery in recent years, they remain low ($482 for a two-bedroom unit). With a rise of 4.2 per cent, Gatineau ranks second, followed by Hull (3.7 per cent) and Aylmer (1.4 per cent).

Smaller units not very popular

As for unit size, it has to be admitted that bachelor apartments are not the most popular units. In fact, they have the highest vacancy rate (4.1 per cent). On the other hand, the larger unit categories have very similar vacancy rates, ranging from 1.8 per cent to 2.2 per cent for apartments with at least one bedroom. Market conditions particularly eased in Gatineau and the outlying area for larger units. In fact, while only 6 out of 1,000 units with three or more bedrooms were unoccupied there in 2003, this number rose to 32 in 2004. Two-bedroom units are more numerous in Hull and Aylmer, which reached vacancy rates of 2.5 per cent and 2.2 per cent, respectively, in this category.

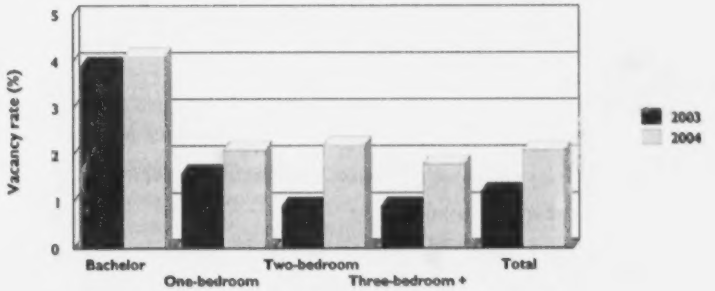
However, the greater number of vacant large units in the Gatineau sector did not curb the increase in prices. In fact, this is where the rental hike was the greatest. In this sector, the difference between the rents charged this year and last year for a unit with three or more bedrooms exceeds 7 per cent. Would the large Gatineau sector be trying to catch up to Hull in terms of rents? The difference remains huge. In fact, the largest units cost over $100 more in Hull, whereas the gap is just above $50 for two-bedroom apartments.

In general, the largest and smallest units posted the greatest rental increases. In fact, while the rent for dwellings with three or more bedrooms climbed by an average of 7 per cent, the price of bachelor apartments rose by 4.5 per cent. As for one-bedroom and two-bedroom units, their rents went up by 1.6 per cent and 3.7 per cent, respectively.

Homeownership movement drives up supply

In 2003 and 2004, new and existing home sales stayed at very high levels. In fact, the financing conditions were still very attractive, and many households took advantage of this. Even though a number of these households were repeat buyers (not purchasing their first home), a good portion of this demand for properties came from renters. These first-time buyers, mostly young households, disregarded the recent strong price increases, allowing themselves to bank on the low interest rates. As a result, many apartments were vacated, especially the largest ones. In fact, it can be noted that the vacancy rates for apartments with fewer than two bedrooms went up by at most 0.5 of a percentage point over last year, while the rate for units with three or more bedrooms doubled, from 0.9 per cent to 1.8 per cent. These larger apartments are therefore the units that were left vacant by the new homeowners. However, given that the vacancy rate

Vacancy Rates by Bedroom Type



Source: CMHC

has remained very low, demand for units of this type is still strong.

The results by year of construction are another sign that this supply is growing in specific segments. While, again in 2003, newer units had a relatively low vacancy rate, this rate almost doubled in 2004. Since these units command very high rents, some of their occupants may have stayed in them only until they found a property to buy.

The increase in construction costs represents another factor that has had a non-negligible impact on supply. In fact, for the past three years, the apartment building construction price index has been steadily rising in the area. This year, the soaring prices of certain materials caused the index to increase more rapidly, which deterred many builders from getting to work on rental housing projects. With the homeownership movement on a roll, builders rather opted to undertake condominium projects. While, in 2003, rental apartments accounted for almost 80 per cent of all multiple housing starts, this year, condominiums have captured the lion's share, with 61 per cent of the starts in this category (from January to October 2004).

Demand holding up

On the other hand, the vacated apartments on the market are good news for households who are looking for a dwelling. In fact, there are still many such households seeking a unit in line with their tastes and means. These apartment hunters continue to include young people aged under 25 years. In 2004, these young people are still being favoured by the job market. Even if the annual rate of full-time employment growth is not high for this age group (+0.8 per cent in October 2004), the number of young people with steady jobs is staying up at interesting levels. These rental apartment seekers will be very pleased to see that vacant bachelor units are not scarce. The increase in the total number of employed young people was higher, at over 3 per cent. There are consequently more young people with lower incomes. Now, if they want larger apartments to experience the joys of sharing accommodations, they will have greater difficulty in meeting their requirements.

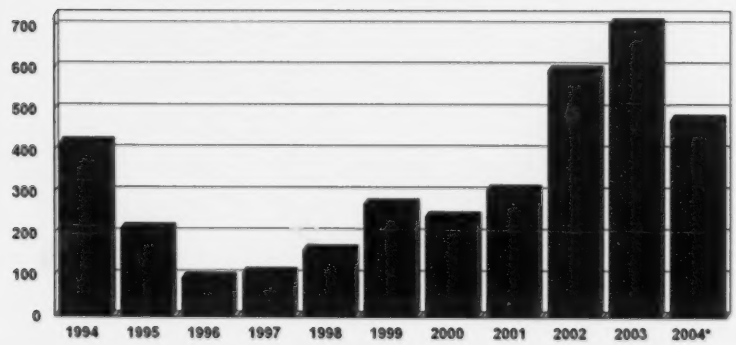
In the area, net migration remains positive, which represents another factor favouring demand. In 2003 alone, nearly 3,000 (+20 per cent) people moved into the area. The net migration level for the Gatineau CMA had not been this high in ten years. It is a known fact that most of these people start off their new lives in rental apartments. If the capacity of the area to attract new households is as strong in 2004, pressure on demand will continue.

However, given that the Ottawa rental market began to ease last year, it is quite likely that there will be fewer potential renters crossing the river. In fact, even if prices remain very high on the other side of the river, the first choice of people from Ottawa is to live in Ontario.

Even more vacant units in 2005

After having risen in 2003, rental housing construction was less vigorous this year. In fact, we forecast that 2004 will end with only 500 rental apartment starts, for a decrease of 30 per cent. Also, the strong homeownership trend that has prevailed in recent years is holding up, and this movement has been particularly significant in 2004. Many of the numerous first-time home buyers will only be vacating their apartments in 2005, which will have a delayed effect on unit availability. However, this phenomenon may well begin to wane next year, as the rise in mortgage rates will slow down home purchases, which means that more renters will be keeping their dwellings. In the end, we expect that rental market conditions will continue to ease somewhat in 2005. The vacancy rate should therefore climb to 2.8 per cent, or at most 3.0 per cent, while the increase in rents should slightly exceed inflation and remain at a level below 4 per cent. It should be noted, though, that fluctuations in oil prices could lead to a higher rent hike for dwellings with oil heating.

Rental Housing Construction Declines



Apartment Vacancy Rates		
Canada	2003	2004
Metropolitain Areas		
Abbotsford	2.5	2.8
Calgary	4.4	4.3
Saguenay	5.2	5.3
Edmonton	3.4	5.3
Halifax	2.3	2.9
Hamilton	3.0	3.4
Kingston	1.9	2.4
Kitchener	3.2	3.5
London	2.1	3.7
Montréal	1.0	1.5
St. Catharines-Niagara	2.7	2.6
Oshawa	2.9	3.4
Gatineau	1.2	2.1
Ottawa	2.9	3.9
Québec	0.5	1.1
Regina	2.1	2.7
Saint John	5.2	5.8
St. John's	2.0	3.1
Saskatoon	4.5	6.3
Sherbrooke	0.7	0.9
Sudbury	3.6	2.6
Thunder Bay	3.3	5.0
Toronto	3.8	4.3
Trois-Rivières	1.5	1.2
Vancouver	2.0	1.3
Victoria	1.1	0.6
Windsor	4.3	8.8
Winnipeg	1.3	1.1
Charlottetown (CA)	3.5	4.2
Total Canada	2.2	2.7
Québec Province		
Urban Areas from 50,000 to 99,999 Inhabitants		
Drummondville	2.5	3.4
Granby	1.7	2.2
Shawinigan	7.3	6.3
St-Jean-sur-Richelieu	0.5	0.5
Sub-Total 50,000-99,999	2.6	2.7
Urban Areas from 10,000 to 49,999 Inhabitants		
Alma	7.0	5.8
Amos	12.0	6.8
Baie-Comeau	6.9	4.7
Cowansville	3.8	0.7
Dolbeau-Mistassini	4.9	5.3
Gaspé	4.5	1.1
Joliette	0.8	1.5
La Tuque	17.4	12.0
Lachute	1.8	2.4
Magog	0.4	1.0
Matane	9.7	7.9
Montmagny	0.3	1.7
Rimouski	0.9	1.0
Rivière-du-Loup	1.0	1.1
Roberval	4.0	4.0
Rouyn-Noranda	7.9	4.8
Salaberry-de-Valleyfield	1.5	0.9
Sept-Iles	5.2	1.5
Sorel-Tracy	4.3	4.6
St-Félicien	5.0	5.5
St-Georges	3.6	5.5
St-Hyacinthe	0.5	1.8
St-Lin	1.7	0.7
Ste-Marie	1.3	2.0
Thetford-Mines	7.1	6.1
Val d'Or	6.4	3.2
Victoriaville	4.0	4.7
Sub-Total 10,000-49,999 Inhabitants	3.6	3.1
Total Province of Québec	1.3	1.7

Availability rate not pointing to an acceleration in the easing trend

According to the Rental Market Survey results, 2.6 per cent of units are available on the Gatineau market. The availability rate is half of a percentage point higher than the vacancy rate. The availability rate includes not only the vacant units but also the units for which the existing tenant has given, or has received, notice to move, and for which a new tenant has not signed a lease. Availability rates give a slightly broader indication of the trends in unoccupied supply in the short term.

A wider gap can be noted in Aylmer for units with three or more bedrooms. While the vacancy rate is nil there, the availability rate is still 2.3 per cent. These large apartments are naturally the most expensive ones in the sector, and the difference between the rent and a mortgage payment will be smaller in their case than for units with fewer than two bedrooms.

While, in the central sectors of Hull, Aylmer and Gatineau, the gaps between availability rates and vacancy rates are around 0.4 of a percentage point, this difference is slightly smaller in the outlying area (0.3 of a percentage point). It would therefore seem that there is a lower turnover on the rental market in these suburbs. This is no surprise in itself, given that this market does not offer any other options (alternative rental market) and also that there are fewer units there.

For more information about this publication or any other questions on the Gatineau metropolitan area housing market, please call our:

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METHODOLOGY

Canada Mortgage and Housing Corporation (CMHC) conducts the **Rental Market Survey** (RMS) every year in October to estimate the relative strengths in the rental market. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. The survey targets only structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type (public or private), and whether it is an apartment or a row structure. The survey collects vacant unit data for all sampled structures. The market rent data are collected for only privately initiated structures. The available unit data are obtained only for privately initiated apartments. Most data contained in this publication refer to privately initiated apartment structures.

The survey is conducted by a combination of telephone interviews and site visits, and information is obtained from the owner, manager, or building superintendent. The survey is conducted during the first two weeks of October, and the results reflect market conditions at that time.

Definitions

Availability: A rental unit is considered available if the existing tenant has given, or has received, notice to move, and a new tenant has not signed a lease; or the unit is vacant (see definition of vacancy below).

Rent: The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water. For available and vacant units, the rent is the rent being asked for by the owner for the unit.

Rental apartment structure: Any building containing three or more rental units, of which at least one unit is not ground-oriented. Owner-occupied units are not included in the rental building unit count.

Rental row structure: Any building containing three or more rental units, all of which are ground-oriented. Owner-occupied units are not included in the rental building unit count.

Vacancy: A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Acknowledgement

The Rental Market Survey could not have been conducted without the cooperation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

Market zones

The survey zones reported in this publication are described on page 6.

Delimitation of Survey Zones:

Zone 1: Hull

Zone 2: Aylmer

Zone 3: Gatineau

Zone 4: Peripheral zone (Buckingham, Masson-Angers, Chelsea, Cantley, La Pêche, Pontiac and Val-des-Monts).

1. Apartment Vacancy Rates (%)
By Zone and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	6.1	4.4	1.7	2.3	1.0	2.5	1.0	1.2	1.5	2.3
Zone 2	**	11.4	1.1	1.9	1.2	2.2	**	0.0	1.1	2.5
Zone 3	0.9	**	1.6	1.9	0.6	1.6	0.6	3.2	0.8	1.9
Zone 4	**	**	**	1.1	1.7	2.7	**	**	1.4	2.0
Metropolitan Area	**3.9**	**4.1**	**1.6**	**2.1**	**0.9**	**2.2**	**0.9**	**1.8**	**1.2**	**2.1**

2. Apartment Average Rents ($)
By Zone and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	464	485	559	573	678	703	773	810
Zone 2	**	490	605	596	660	669	**	749
Zone 3	**	**	523	536	616	642	658	707
Zone 4	**	**	**	390	461	482	**	**
Metropolitan Area	**462**	**483**	**548**	**557**	**639**	**663**	**720**	**769**

3. Number of Apartment Units-Vacant and Universe in October 2004
By Zone and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe	Vacant	Universe
Zone 1	19	432	68	3,013	132	5,337	25	2,034	244	10,816
Zone 2	8	70	6	324	17	759	0	87	31	1,240
Zone 3	**	197	29	1,541	59	3,767	38	1,193	129	6,699
Zone 4	**	38	2	213	20	732	**	124	22	1,107
Metropolitan Area	**30**	**737**	**105**	**5,092**	**228**	**10,595**	**63**	**3,438**	**425**	**19,862**

4. Apartment Vacancy Rates (%)
By Structure Size and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
Size	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
3 to 5 units	**	**	3.3	4.8	1.5	1.8	1.1	2.5	1.9	2.6
6 to 19 units	**	**	2.0	1.0	0.9	1.3	1.1	0.9	1.5	1.3
20 to 49 units	**	3.4	0.5	0.9	0.8	4.0	0.3	3.5	0.6	3.3
50 to 99 units	2.0	4.9	0.6	2.1	0.5	3.6	0.5	3.2	0.7	3.0
100 + units	0.4	2.9	0.9	1.8	0.1	2.7	0.0	0.0	0.5	2.2
Metropolitan Area	**3.9**	**4.1**	**1.6**	**2.1**	**0.9**	**2.2**	**0.9**	**1.8**	**1.2**	**2.1**

5. Apartment Vacancy Rates (%)
By Structure Year of Completion and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom +		Total	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Before 1970	**	**	3.1	2.4	2.1	0.8	**	1.8	2.9	1.6
1970 to 1979	1.6	4.9	0.7	2.3	0.5	2.3	0.1	1.9	0.6	2.4
1980 to 1989	**	**	1.6	2.1	1.2	2.1	1.5	3.2	1.4	2.3
1990 to 1999	**	**	2.6	0.0	0.1	1.6	0.0	0.7	0.5	1.0
2000 or later	**	**	**	1.8	0.6	3.3	**	1.6	1.3	2.4
Metropolitan Area	**3.9**	**4.1**	**1.6**	**2.1**	**0.9**	**2.2**	**0.9**	**1.8**	**1.2**	**2.1**

6. Apartment Vacancy and Availability Rates (%) - 2004
By Zone and Bedroom Type
Gatineau Metropolitan Area

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Total	
	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate	Vacancy Rate	Availability Rate
Zone 1	4.4	5.1	2.3	2.7	2.5	3.0	1.2	1.7	2.3	2.7
Zone 2	11.4	11.4	1.9	2.5	2.2	2.5	0.0	2.3	2.5	3.0
Zone 3	**	**	1.9	2.6	1.6	1.8	3.2	3.6	1.9	2.3
Zone 4	**	**	1.1	1.1	2.7	3.2	**	**	2.0	2.3
Metropolitan Area	**4.1**	**4.5**	**2.1**	**2.6**	**2.2**	**2.6**	**1.8**	**2.3**	**2.1**	**2.6**

** *No structures or sample size not large enough to publish reliable results*

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